



Arizona Department of Administration Telecommunications Program Office

*Report to:
The Joint Committee on
Capital Review*

**Status of the Statewide
Telecommunications Contract
(AZNet)**

2nd Quarter – FY 2009
Quarterly Report

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1.0 Executive Dashboard

Accomplishments and Notable Metrics

- *AZNet* moved one circuit from the State's shared trunk pool directly to Secretary of State Call Center prior to elections to increase call handling capacity and then returned the circuit to the shared pool in December 2008. This change was necessary because the volume of calls coming into the network exceeds both the current system capacity and the ability of some agencies to handle the number of calls. When this happens the callers experience a fast busy tone or a message to call back later.
- Accenture reported 21 months without missing a Severity 1 Service Level Agreement (SLA) and 41 months without missing a Severity 2 SLA.
- *AZNet* formed the Network Capacity Review (NCR) committee for creating key shared infrastructure voice, data and internet capacity reports.
- Accenture reported YTD FY 2009 Carrier Savings of \$2.9M with a goal of \$5.7M.
- Accenture reported that the State obtained 76% of the possible 2% early payments discount for December, versus 95% for November.
- Accenture continued inventory and reported 97% complete - 719 sites and 2,393 devices inventoried to date. The purpose of this inventory is to validate data that should have been completed upon transition to *AZNet* in the initial year of the contract.
- Meetings held for upgrading the Remedy trouble ticket software since the currently used version of the software is no longer supported.
- Accenture kicked off the Continuous Improvement Management (CIM) Committee meeting with the TPO on 12/12/08. The contract for *AZNet* is performance based. Thus, CIM is an integral part of the contract and this effort should have been implemented in year one of the contract.

Infrastructure Investments / Enhancements

Completed the following Infrastructure Investment Charge (IIC) projects:

- VAT Project (multi-year project):
 - Completed the Due Diligence phase.
 - Completed the installation of the Test Lab for the VAT project.
 - Installed two MPS 1000s, including one at the Arizona Department of Transportation (ADOT) and one at the Arizona Department of Administration (ADOA)
- Core Redundancy Project
 - Installed new equipment and configurations, including moving over 100 connections to add greater redundancy.
- Virtual Office Worker Solution
 - Completed install of core Virtual Office Worker solution infrastructure to provide secure access to the *AZNet* network for employees working from home.
- Small Office Solution
 - Completed four of five selected office sites for the core Small Office solution infrastructure.
- Department of Revenue (DOR) Cluster Migration
 - Migrated 1,081 seats for the DOR from the 3X to the 4X Cluster. This included three DOR physical locations.

Significant Issues / Risks

- ISSUE: AT&T ACCU Ring rate increase. Dispute between Accenture and AT&T regarding \$88k for OC12 service from rate increase. At the request of DES and ADOT, TPO asked the State Procurement Office (SPO) to file a claim against Accenture due to Accenture's poor project management. SPO reported it is working with Accenture to resolve.
- ISSUE: Time to Dispatch (TTD) SLA. TPO requested root cause analysis of failure to perform on TTD SLA. Accenture's view is trouble ticket software (Remedy) provided by the State does not provide features needed to manage the TTD SLA, and the TTD SLA may not be of sufficient value to AZNet to warrant remediation. TPO disagrees with Accenture's position and vendor deficiency report filed with SPO. The exclusion cited does not apply to the circumstance sought by Accenture. TPO auditing credits owed to State for failure to meet SLA performance.
- ISSUE: High Call Volume for Social Services. The number of call center calls is greater than the existing network capacity. The peak period generally is on Monday mornings but the growing need for social services due to the State's economy has made it a problem for other days of the week as well. This increase in call volume affects all social services call centers and has impacted some of the State's other telephone users, such as the Secretary of State issue mentioned earlier.
- ISSUE: Virtual Office Worker Support. Accenture's view is current "Virtual Office Worker" design that includes router equipment for roll-out could greatly increase the quantity of routers that must be supported and, thereby, potentially affect costs. TPO's view is Virtual Office Systems are part of the original contract and no adjustment is warranted. All provisions including maintenance and refresh apply since they are included in the per seat charge.
- ISSUE: Qwest cable rehab in Coolidge. Issues with outages have occurred because of work by Qwest in Coolidge. Qwest reported its tentative plan is to complete the cable rehab work the week of 12/28/2008.
- ISSUE: Asset Management System (AMS) Data. The initial seat price contained nearly \$400,000 as payment to Accenture for delivery of a functional asset management system. By contract, Accenture is to accurately record and maintain all relevant information connected with each piece of AZNet equipment. The lack of completeness and accuracy of the data has been discussed with Accenture on numerous occasions.
- ISSUE: Currency and Refresh. There is an ongoing issue over Accenture's completed and planned currency and refresh schedule. For more than one year, the TPO has been requesting that Accenture provide to the State documentation of refresh completed and its planned refresh schedule for the next fiscal year. Accenture has never provided the requested data even though contractually it is required to do so.
- RISK: Arizona State Retirement Call Center (ASRS). Plan to migrate ASRS from end-of-life Avaya call center system to VAT enterprise solution put on hold per ASRS request due to budget constraints. ADOA Director notified the ASRS Director of assumed risks.

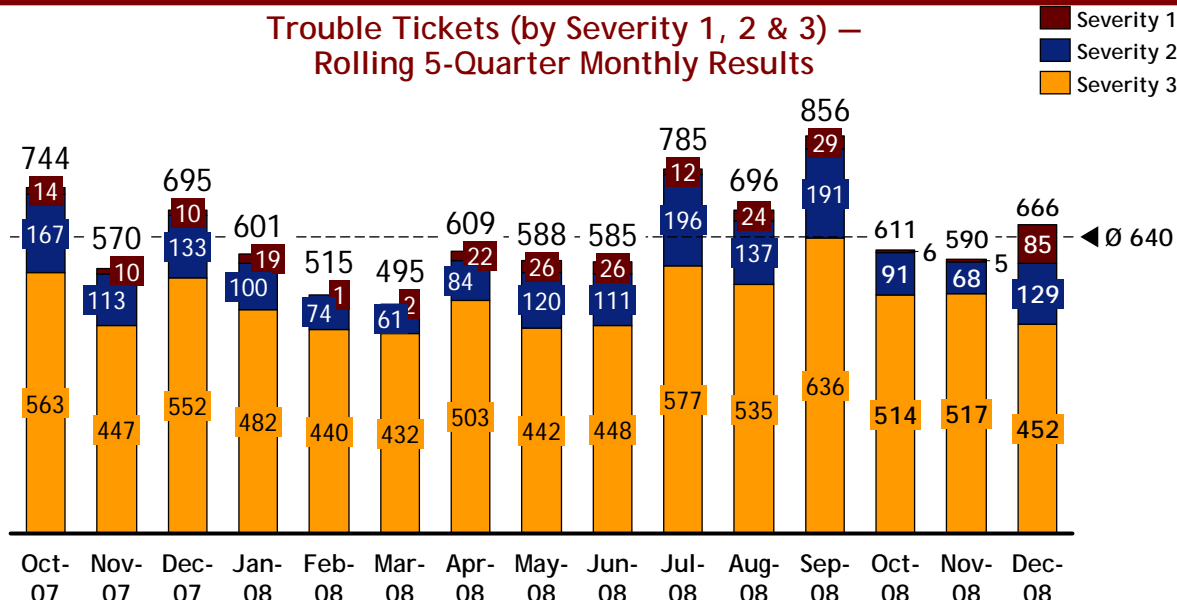
Operational Service Level Agreements (SLAs) – unaudited

AZNET SLA Scorecard - unaudited														
Service Level Agreement		DEC 07	JAN 08	FEB 08	MAR 08	APR 08	MAY 08	JUN 08	JUL 08	AUG 08	SEP 08	OCT 08	NOV 08	DEC 08
SERVICE LEVEL														
Severity 1 Trouble Repair SLA	SLA Status													
	Incident Count	0	2	0	0	4	1	1	0	3	2	2	0	0
	Missed Tickets	0	0	0	0	0	0	0	0	0	0	0	0	0
	Metric*	0.00	-2.91	0.00	0.00	-12.97	-3.75	-3.10	0.00	-11.00	-10.60	-7.39	0.00	0.00
Severity 2 Trouble Repair SLA	SLA Status													
	Incident Count	9	12	11	12	10	8	9	17	11	19	17	17	16
	Missed Tickets	1	2	0	0	1	0	0	4	1	2	1	0	2
	Metric*	-31.11	-41.24	-55.41	-54.66	-28.04	-40.94	-42.09	-50.47	-48.20	-99.68	-63.56	-67.61	-34.32
Severity 3 Trouble Response SLA	Incident Count**	x	482	440	431	498	440	443	608	558	663	551	540	473
	Missed Tickets**	x	11	7	5	3	2	16	24	13	7	0	0	1
	% Met	x	97.6%	98.4%	98.9%	99.4%	99.6%	96.4%	96.1%	97.7%	99.00	100.00	100.00	99.7
	Trouble Tickets not Reopened	98%	99%	98%	99%	99%	99%	100%	99%	99%	99%	99%	99%	99%
Time to Dispatch Target 98% ***	Incident Count	8	6	6	3	7	3	4	11	5	13	15	12	12
	Missed Tickets	0	2	1	0	1	0	0	4	2	3	3	2	0
	% Met	100%	67%	83%	100%	86%	100%	100%	63%	60%	77%	80%	83%	100%
	Chronic Problems													
Tier I Availability ****	SLA Status													
	Incident Count	0	0	0	0	0	1	4	3	15	19	6	14	14
Tier I Availability ****		100.000%	99.986%	99.997%	99.998%	99.995%	100.000%	99.995%	99.999%	99.999%	100.000%	99.970%	100.000%	100.000%
Tier II Availability ****		99.996%	99.993%	99.999%	99.999%	99.997%	99.998%	99.934%	99.995%	99.997%	99.999%	100.000%	99.994%	100.000%
Tier III Availability ****		99.998%	99.999%	99.998%	99.997%	99.995%	100.000%	99.999%	99.994%	99.995%	99.986%	100.000%	99.992%	99.990%
On-Time Completion of Services Target 95%		97.2%	95.8%	98.2%	98.6%	97.9%	99.1%	97.0%	97.8%	97.2%	97.7%	98.5%	98.4%	98.4%
Service Requests Not Reopened		99%	99%	99%	99%	99%	99%	100%	99.86%	99.67%	99.57%	99.68%	98.32%	99.85%
SYSTEM SERVICE LEVELS														
Severity Level I														
Severity Level II														
Tier I Availability ****														
On-Time Completion of Services														
Target Carrier Savings														
SLA Credits (excluding Carrier Savings)							\$49,300	\$200	\$1,600	\$2,400	\$1,300	\$700	\$0	\$0
Carrier Savings SLA Credits								\$28,214.75						

Notes:

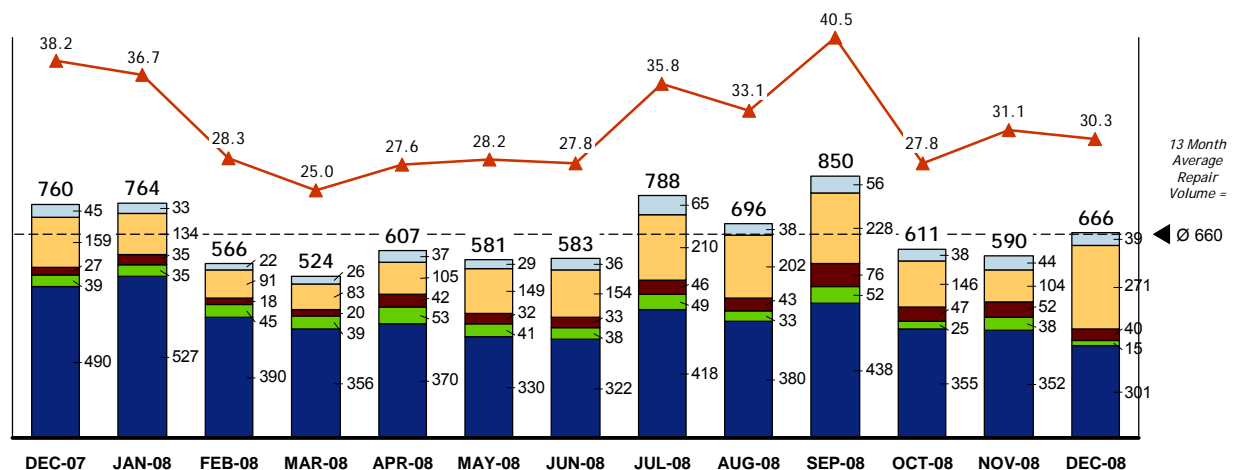
- Green means met SLA, Red means missed SLA and service credit paid.
- (*) Metric shows the total number of hours "under" the SLA target (if negative number) or "over" the SLA target (if positive number).
- (**) SLA not reported, issue resolved through settlement agreement.
- (***) Time to Dispatch Severity 1 and Severity 2 only.
- (****) Type 2 SLA for which no measurement period has occurred.

Trouble Ticket Trending, by Severity – unaudited



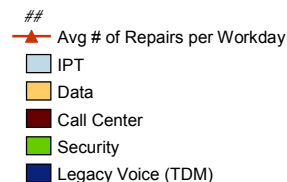
There continues to be evidence of seasonal fluctuations as well as increased occurrences of multiple tickets per outage (i.e., multiple agencies impacted by single outage). Note: The 5-Quarter average reported at the end of Q1-FY09 was 668 (versus 640 at the end of Q2-FY09).

Statewide Trouble Ticket Review (by Type of Service) – unaudited

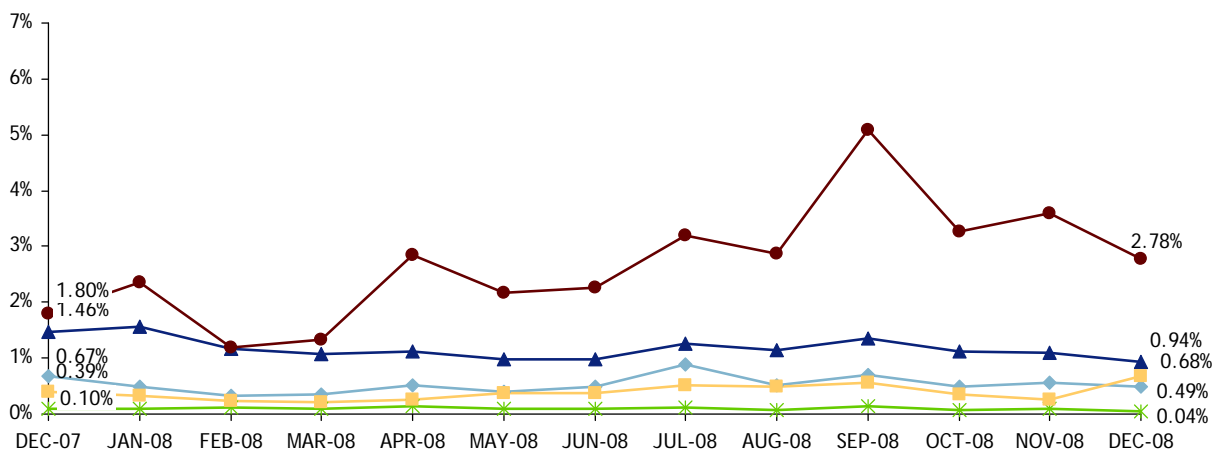


Analysis Results:

- The 13-month Average Monthly Repair Volume continues to trend favorably (FY08: Q1 = 729, Q2 = 704, Q3 = 696, Q4 = 678; FY09: Q1 = 679, Q2 = 660).

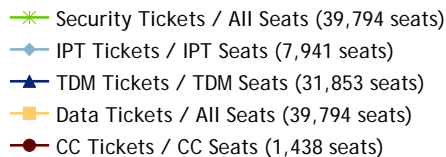


Statewide Trouble Tickets as a % of Correlated Seat Type – unaudited

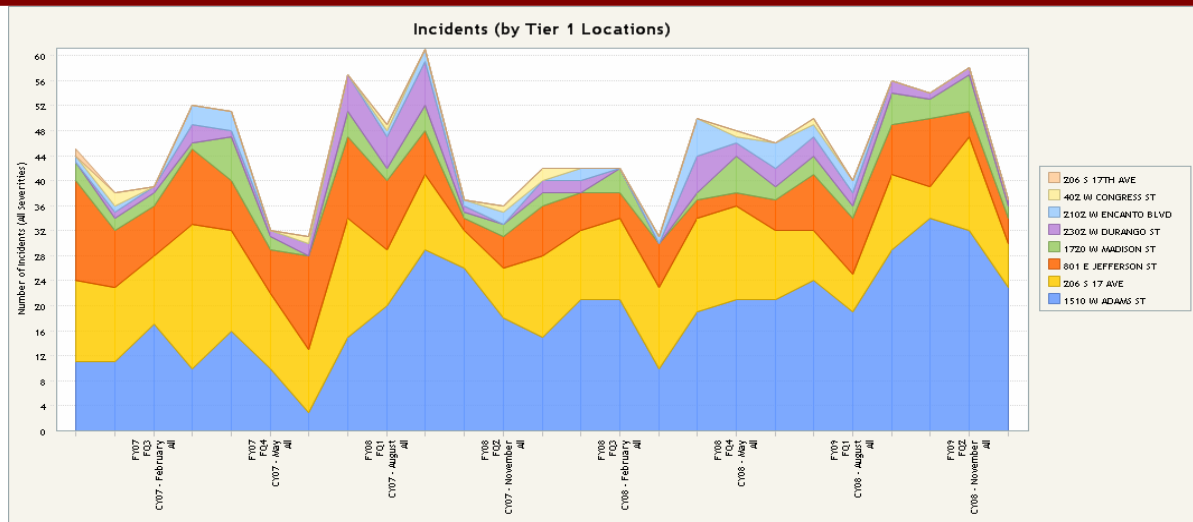


Analysis Results:

- All categories remained within historical ranges.

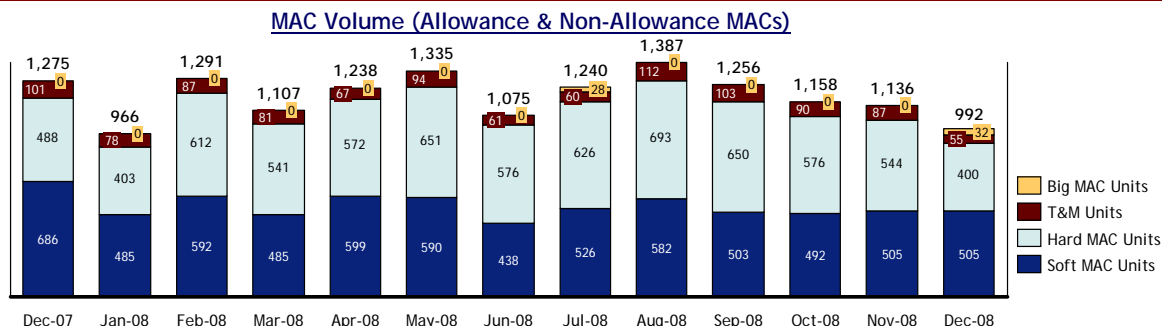


Tier 1 Site Incident Performance Review - unaudited



- In the last 13-month period (i.e., December 2007 – December 2008), there was an average of 45 incidents per month (including all severities) across all seven AZNet Tier 1 locations.
 - The average number of incidents for the period September 2007 – September 2008 was 45.
 - The average number of incidents for the period June 2007 – June 2008 was 44.
 - The average number of incidents for the period March 2007 – March 2008 was 43.
 - The average number of incidents for the period December 2006 – December 2007 was 44.
- Peak periods are the result of weather related issues associated with the late summer months.

Statewide Moves, Adds, Changes (MAC) Review - unaudited



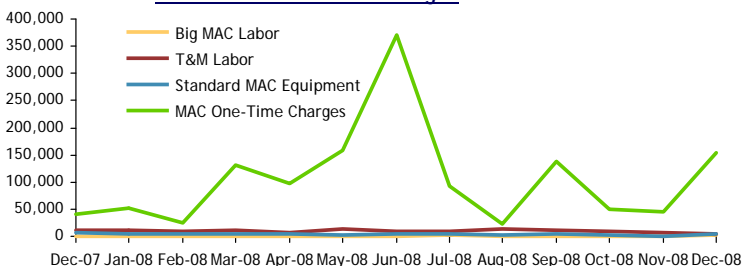
Analysis:

- MAC Allowance has not been exceeded since October 2005. Total overage in expenditures to-date are \$1,708 in Hard MACs and \$6,871 in Soft MACs.
- Change in Big Mac threshold has resulted in minimal-to-no Big Mac cost.

Notes:

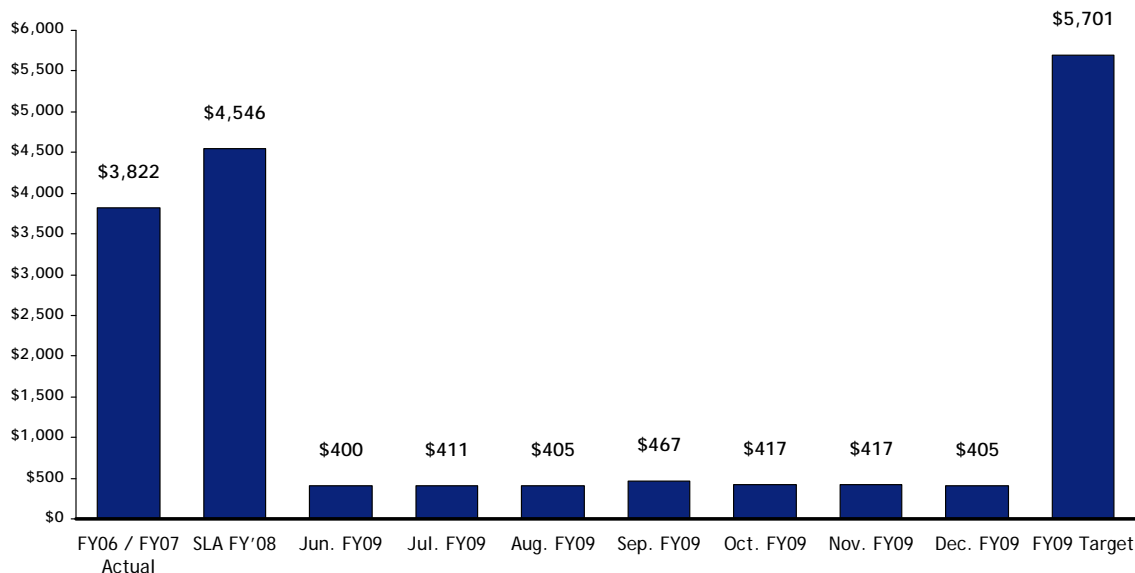
- MACs closing on or after 10/1/07 use a new Big MAC threshold of 25 MAC Activity Units (previous threshold = 10).
- Months depicted are "Invoice Month". MAC Tickets are actually closed during prior month.

Non-Allowance MAC Charges



Savings / Cost Avoidance - unaudited

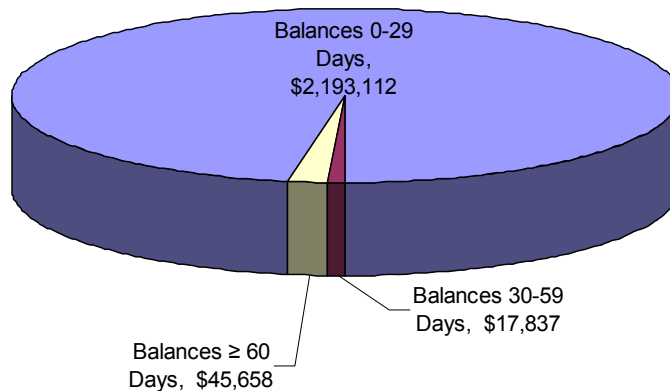
Savings Scorecard as of December 31, 2008 - unaudited (in \$000's)



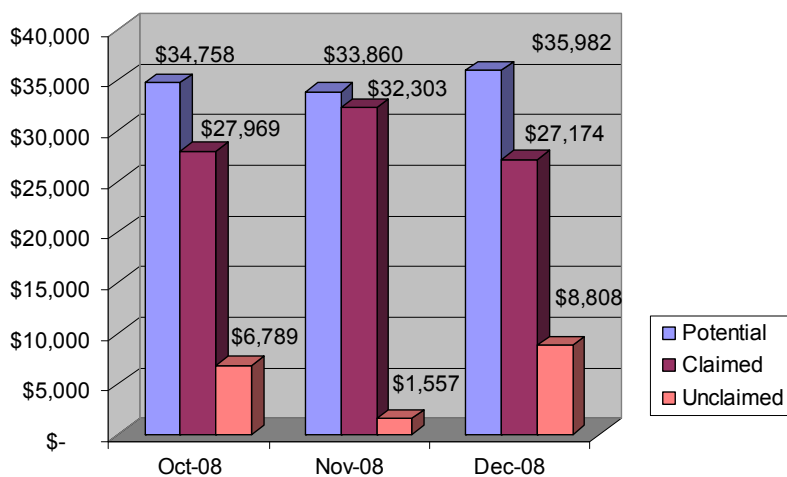
- Savings/Cost Avoidance amounts are attributable to Telecommunications Expense Management (TEM), WAN Consolidation, Trunk Optimization, Long Distance rate adjustments, and Voice over Internet Protocol. Amounts do not necessarily correlate with actual spending on carrier services since usage, increased agency data bandwidth requirements and some rate modifications are not part of the savings calculations. The fiscal year is measured from June through May.

Billing Scorecard - unaudited

**Operations Accounts Receivable
Balances Owed December 31st, 2008**



**Early Payment (2%) Discount
Q2 Potential vs. Q2 Claimed**



2.0 Major Accomplishments

Major accomplishments are grouped by category. The major categories are: Program Management, Infrastructure Improvements, Operational Improvements, and Communications. The *AZNet* program accomplishments during the second quarter of FY 2009 have been summarized below.

2.1 Program Management

- **Accenture Staff Changes** – Accenture replaced the project lead for *AZNet* in November. Traci Foreman came on board to replace John Ambler who stayed the full second quarter to provide for the transition. Accenture also did a number of interviews to seek feedback from TPO on its concern with the lack of proper processes and procedures in both daily operations and project oversight.
- **Time to Dispatch (TTD) SLA** – TPO filed a vendor deficiency with the SPO after several months of requesting that Accenture begin measuring the TTD SLA. Accenture does now report on the TTD as shown on page 5, but only for Severity 1 and 2 tickets, not Severity 3 tickets.

2.2 Infrastructure Improvements

- **Voice Application Transformation (VAT)** – In FY 2007, the State completed a call center strategy study which recommended the replacement of the State's end-of-life Interactive Voice Response (IVR) and Octel voice mail systems as well as an enhancement of the Symposium call center system. In the third quarter of FY 2008, this project was presented to the Information Technology Authorization Committee (ITAC). ITAC approved the project. In the fourth quarter of FY 2008, the due diligence phase of the project (the first of multiple phases to be completed over a two-year period) was initiated. This phase was completed in this first quarter of FY 2009. During the second quarter of FY 2009, all required hardware was received and deployed. Preparations are underway to begin IVR conversions for the various state agencies.
- **Migration from SL100 to IPT** – The agencies targeted for the project in FY 2008 were the Department of Agriculture, the Department of Economic Security, and the Department of Education. As of the second quarter of FY 2009, the projects for the Department of Agriculture and Department of Education have been completed. The project for the Department of Economic Security is underway.
- **Core Redundancy** – The purpose of this project is to build redundancy into the State's core network to ensure the State's continued connectivity in the event of equipment failure. *AZNet* executed a complex overhaul of the core infrastructure, installing new equipment and configurations. Over 100 connections were moved to add greater redundancy. The project was completed in this second quarter of FY 2009.

- **Small Office** – This project provides the access point for State small offices using less expensive carrier solutions like Digital Subscriber Lines or Cable Modem carrier service to securely enter the *AZNet* network. In this second quarter of 2009, the core infrastructure enhancements are complete. Four of the five small offices targeted in this project have been deployed.
- **Virtual Office** – This project provides the access point for virtual office workers to securely enter the *AZNet* network. As of the second quarter, this project is complete and new virtual office workers are being added on a continual basis.
- **(NEW) Department of Revenue (DOR) Cluster Migration** – This project migrates all DOR IPT users from the 3X Cluster to the 4X Cluster to provide for stabilization of call processing and voice mail. The 3X Cluster is end-of-life and cannot provide the redundant and fault tolerant call processing services available on the 4X Cluster. DOR is the only agency on the 3X Cluster so this project moves toward a single consolidated cluster for providing telephony services.

2.3 Operational Improvements

- **Carrier & Commercial Power Chronic Problem Analysis and Remediation** – The *AZNet* contract does not regulate the performance of carrier or commercial power utilities. Nevertheless, the *AZNet* team is analyzing proactively chronic issues related to these infrastructure providers given that they supply essential components of the statewide converged data, voice, and video network.

During the second quarter of FY 2009, the following results have been achieved in addressing chronic carrier and commercial power issues:

- Carrier-related chronic issues:
 - 7 new chronics were identified
 - 22 chronics were corrected
 - 4 chronics are being actively investigated and/or monitored between *AZNet* and the Carrier
- Power-related chronic issues:
 - 3 new chronics were identified
 - 4 sites have been corrected

2.4 Communications

- **Agency Meetings** – During this quarter, *AZNet* met with several agencies to address issues reported by the agencies or projects the agencies requested. The agencies included ADOA, DES, ADOT, the Department of Commerce, the Department of Emergency and Military Affairs, the Department of Juvenile Corrections, the Department of Public Safety, the Arizona School for the Deaf and Blind, the Commission for Deaf and Hard of Hearing, the State Lottery, the Arizona Health Care Cost Containment System, the Early Childhood

Development and Health Board, the Department of Corrections, the Department of Education, the Arizona Department of Agriculture, the Department of Revenue, the Government Information Technology Agency, the Board of Fingerprinting, and the State Treasurer's Office.

3.0 Program Details

3.1 Capital Investments

Capital Investments being made by the State can be divided into two categories: (1) Infrastructure Investment Projects funded from Infrastructure Investments Charges (IIC) collected under the contract, and (2) Agency-Specific Projects funded by a specific agency requesting the project and referred to as Demand Management Team (DMT) projects. Both categories are managed and tracked through a data software system called Information Technology Governance. Below are details for each category:

3.1.1 FY 2007 Infrastructure Investment Charge (IIC) Projects

The FY 2007 IIC capital investment projects final costs are listed below.

Table 1a: Summary of FY 2007 IIC Projects

#	Project	Original Budgeted Amount	YTD Expended Amount	Status	Scope / Benefit / Notes
1	Virtual Private Network/Remote Office Access Upgrade	\$83,567	\$83,567	Complete	Provided a pilot project for replacing the current end-of-life system and expanding the support of remote users (telecommuters) from 250 to 1000 simultaneous users.
2	Increase Internet Bandwidth - ADOA Circuit	\$18,192	\$18,192	Complete	Improved response time, business continuity and disaster recovery capabilities of the State's Internet service. Part of \$150,000 Contingency Budget.
3	Increase Internet Bandwidth - DES Circuit	\$18,192	\$18,192	Complete	Improved response time, business continuity and disaster recovery capabilities of the State's Internet service. Part of \$150,000 Contingency Budget.
4	Emergency Voice Replacement - Arts Commission	\$26,562	\$26,562	Complete	Replaced end-of-life telephone equipment with new IP Telephony systems. Part of \$150,000 Contingency Budget.
5	Voice Replacement - Veterans Services at Tucson, Yuma and Flagstaff *	\$24,204	\$29,725	Complete	Replaced end-of-life equipment for failing or old phone systems. Part of \$150,000 Contingency Budget.
6	Symposium Call Center Switch Replacement	\$62,851	\$65,070	Complete	Replaced end-of-life equipment that was no longer supported as of May 2007 by the vendor. Part of \$150,000 Contingency Budget.

Table 1a: Summary of FY 2007 IIC Projects

#	Project	Original Budgeted Amount	YTD Expended Amount	Status	Scope / Benefit / Notes
7	SL 100 Migration End-of-life Voice - Education Department	\$207,242	\$207,242	Complete	Replaced end-of-life telephone equipment with new IP Telephony systems. The design minimized single points of failure, supported remote workers and made moves, adds and changes of telephone sets easier.
8	End-of-life Data Equipment at Department of Transportation (ADOT) – over lapses into FY08	\$1,035,160	\$812,222	Complete	Replaced selected data routers that were no longer supported by the manufacture resulting in improved reliability and performance.
9	Voice over Internet Protocol (VoIP) - Began in FY06	\$216,141	\$216,141	Complete	Minimized toll charges by transporting calls over the State's data network.
10	Flagstaff WAN Consolidation	\$403,777	\$445,072	Complete	Reduced carrier circuit costs and toll charges, enhanced network speed and reliability, and offered converged network functionality.
11	IPT Cluster Enhancements - Initiated in FY06 and began with Water Office	\$288,000	\$309,667	Complete	Improved network management and capabilities. Expanded capacity and enhanced stability and resiliency to accommodate additional IPT network integrations.
12	Tier 1 and Tier 2 Resiliency (Phase 1)	\$295,000	\$352,198	Complete	Reduced the potential for catastrophic or intermittent down time (power, HVAC, etc.). Note: This project did not start until FY08.
13	MAGNET 2.2	\$368,541	\$376,305	Complete	Brought 18 additional sites onto the State's MAGNET optical backbone network.
14	MAGNET – Timing and Global Crossing**	\$100,490	\$100,594	Complete	Removed high cost equipment no longer needed because of network improvements and achieved savings through circuit reductions.
15	MAGNET – BPX/MPX Circuits**	\$210,177	\$210,262	Complete	Achieved savings through circuit reductions by using the MAGNET architecture and installed a clocking source for voice traffic migration onto the MAGNET.
Totals		\$3,358,095	\$3,271,011		

3.1.2 FY 2008 Infrastructure Investment Charge (IIC) Projects

Below is the quarterly report summary of status for the FY 2008 IIC capital investment projects based on approved expenditure authority for FY 2008 (authority does not lapse until the end of FY 2009).

Table 1b: Summary of FY 2008 IIC Projects

#	Project	Original Budgeted Amount*	YTD Expended Amount	Status	Scope / Benefit / Notes
1	Phoenix Consolidation – Central Ring Project*	\$546,600	\$0	Cancelled, but funds needed to deal with emergencies	Reduces carrier circuit costs and toll charges, enhances network speed and reliability, and offers converged network functionality through an extension of the MAGNET infrastructure to provide services to agencies located up and around Central Avenue in Phoenix. A Statement of Work was approved but cancelled when the initially reported carrier savings proved to be false. Carrier cost for agencies would have increased rather than have been reduced.
2	End of Life (EOL) Data – Begin in FY07 at ADOT	\$757,694	\$903,490	Complete (Multi-year Project - part of Item 8 FY07 Table 1a)	Replaced selected data routers or devices deemed critical and no longer supported by the manufacture resulting in improved reliability and performance.
3	SL-100 Migration	\$600,000	\$0**	In Progress (66% Complete) Two of three agencies complete and invoiced, payment in progress	Replaces end-of-life telephone equipment (for Department of Agriculture, Department of Education, and Department of Economic Security) with new IP Telephony systems as part of the Converged Network Architecture.
4	IPT Cluster Enhancements – FY08	\$360,863	\$375,129	Complete	Introduced geographic redundancy to Capital Mall voice infrastructure and provided a stable, fault-tolerant and redundant platform to migrate users from the aging legacy voice infrastructure which services 25% of State employees
5	Tier 1 and Tier 2 Resiliency (Phase 2)	\$340,384	\$340,753	Complete	Provided enhancements to the MAGNET-2 architecture mitigating the potential of severe outages.
6	Secure Remote Router Access	\$12,250	NA	In Progress (85% Complete)	Enables secure connectivity to devices managed by the Global Network Operations Center for improved monitoring and maintenance. NA = being funded via Accenture Engineering Pool Hours.
7	SSL/VPN Migration	\$12,384	\$12,384	Complete	Developed Help Desk documentation and training regarding user migration strategy from Aventail to Cisco SSL/VPN. Part of \$642,509 that was originally reported as the Contingency Budget.

Table 1b: Summary of FY 2008 IIC Projects

#	Project	Original Budgeted Amount*	YTD Expended Amount	Status	Scope / Benefit / Notes
8	End of Life (EOL) Voice – Veterans Affairs in Phoenix	\$125,000	\$122,695	Complete	Upgraded current software for the Option 61C PBX supporting Veterans Affairs and also implemented the Standards-based VPN solution. Part of \$642,509 that was originally reported as the Contingency Budget.
9	NEW Voice Application Transformation(VAT)*	\$1,568,968	\$843,108	Complete except for acceptance of final documentation (Multi-year Project - part of Item 3 FY09 Table 1c) – payment in progress	Starts to replace two key end-of-life processing systems to provide a call center solution for the State. Part of \$642,509 that was originally reported as the Contingency Budget. This represents the first year of a multi-year project.
10	Cabling Infrastructure Refinement	\$8,340	\$8,340	Complete	Installed new patch panel infrastructure for better circuit identification. Part of \$642,509 that was originally reported as the Contingency Budget.
11	ATS Core Redundancy	\$192,230	\$0	Complete and invoiced, payment in progress	Addressed need to preserve the State's connectivity through the 1510 ADOA Data Center location in the event of phone switch failure, including network routing and power redundancy. Part of \$642,509 that was originally reported as the Contingency Budget.
12	Virtual Office Solution*	\$53,400	\$53,400	Complete	Provided enterprise infrastructure to serve as access points for virtual office workers to securely enter <i>AZNet</i> network.
13	Small Office	\$40,000	\$0	In Progress (85% Complete)	Provide enterprise infrastructure to serve as access points for State small offices using less expensive carrier solutions to securely enter <i>AZNet</i> network. Part of \$642,509 that was originally reported as the Contingency Budget.
14	DOR Cluster Migration	\$92,148	\$0	Complete and invoiced, payment in progress	Migrated all DOR IPT users from the 3X Cluster to the 4X to provide for stabilizing call processing and voice mail. Part of \$642,509 that was originally reported as the Contingency Budget.
15	Contingency Budget	\$3,439	\$0	N/A	Funds unanticipated cost or emergency replacements.
Totals***		\$4,713,700	\$2,659,299		

* Budget for these projects shifted to cover VAT project and Virtual Office Solution project. Phoenix Tucson project reduced from \$2.0 Million to \$0.55 Million. In addition, \$168,968, in Contingency Budget is reallocated for a total of \$1,568,968 shifted to cover VAT project (total signed SOW at \$5.5 M).

**Corrected from FY 2009 first quarter reported, which reported expended amounts not yet made.

*** Revenues received in FY 2008 were \$2,937,000 rather than \$4,713,700. There are no unobligated balances available.

3.1.3 FY 2009 Infrastructure Investment Charge (IIC) Projects

Below is the quarterly report summary of status for the FY 2009 IIC Capital Investment projects based on estimated revenues for FY 2009. It does not reflect changes that may occur from legislative action during the 2009 Session.

Table 1c: Summary of FY 2009 IIC Projects

#	Project	Original Budgeted Amount*	YTD Expended Amount	Status	Scope / Benefit / Notes
1	SL-100 Migration	\$500,000	\$0	Selection of Sites Underway	Continues to rollout an Internet Protocol (IP) Telephony-based voice architecture designed to replace the legacy SL-100 switch.
2	Converged EOL (Voice & Data)	\$1,939,105	\$0	Statement of Work in Development	Replaces those voice and data devices deemed critical within the pool of end-of-life voice and data hardware devices currently in inventory.
3	Voice Application Transformation (VAT)	\$3,360,895	\$0	In Progress (25% Complete) (Multi-year Project - part of Item 9 FY08 Table 1b)	Continues to replace the State's end-of-life Interactive Voice Response (IVR) and Octel voice mail systems and enhance the Symposium call center system. This represents the second year of a multi-year project.
4	Firewall Remediation	\$0	\$0	High-level SOW submitted	Replaces disparate types of firewall devices with Cisco Adaptive Security Appliances (ASA) products. This will keep a knowledge base for support within the State umbrella for leveraging between agencies. This project was originally scheduled for FY10; the submitted SOW is approximately \$615K.
5	Internet POP Enhancements	\$72,000	\$0	Scope Submitted, Pending Approval	Deploys Domain Naming System (DNS) infrastructure that will enable traffic to successfully traverse a secondary internet connection should the primary connection fail.
6	Redundant Intrusion Protection	\$129,000	\$0	Scope Submitted, Pending Approval	Adds redundancy to current intrusion protection system, which consists of a single device. A second parallel device will be added to the system.
7	Internet Consolidation	\$53,000	\$0	Scope Submitted, Pending Approval	Migrates agency users from their local agency centric internet gateways to the centralized <i>AZNet</i> internet infrastructure, reducing operational complexity and providing security across multiple agencies.
8	Extranet Consolidation	\$102,000	\$0	Scope Submitted, Pending Approval	Moves extranet Virtual Private Network (VPN) connections from multiple shared routers to a single dedicated VPN device.
9	Contingency	\$500,000	\$0	Under Review	Reserves amount for unexpected costs or emergency replacements incurred during each fiscal year.
Totals		\$6,656,000	\$0		

* Budget shows best case scenario. No unobligated revenues exist at this time.

3.1.4 Agency-Specific Projects (DMT Projects)

Below is a summary status of agency-specific investments made via *AZNet* Demand Management Team (DMT) projects. Note: MAC projects quantity and total dollars are no longer included in totals effective first quarter FY 2008 and forward. These MAC costs are reported in financial data in section 3.2 of this report.

Table 2: Summary of Agency-Specific Projects

	Project Quantity	Agency Investment	Total Seats Impacted	New IPT Seats
FY 2007				
1Q Completed Project Subtotal	21	\$1,056,646	600	586
2Q Completed Project Subtotal	24	\$372,926	39	6
3Q Completed Project Subtotal	4	\$152,102	133	74
4Q Completed Project Subtotal	20	\$1,727,627	510	289
FY 2007 Completed Projects Total	69	\$3,309,301	1,282	955
FY 2008				
1Q Completed Project Subtotal	4	\$99,148	340	0
2Q Completed Project Subtotal	9	\$915,748	878	624
3Q Completed Project Subtotal	6	\$252,476	59	59
4Q Completed Project Subtotal	4	\$1,018,323	534	325
FY 2008 Completed Projects Total	23	\$2,285,695	1,811	1,008
FY 2009				
1Q Completed Project Subtotal	3	\$256,628	80	80
2Q Active Projects	4	\$467,263	160	74
2Q Completed Projects*	2	\$88,756	0	0
2Q <i>Combined</i> Project Subtotal	6	\$556,019	160	74
3Q Completed Project Subtotal	N/A	\$0	N/A	N/A
4Q Completed Project Subtotal	N/A	\$0	N/A	N/A
FY 2009 Completed Projects* Total (Y-T-D)	5	\$345,384	80	80

* Installed and accepted by the customer. This does not mean invoiced.

3.2 Program Financials

Below is a summary of the AZNet Program Financials from AZNet's billing system (known as BillPort).

Table 3: Summary of AZNet Program Financials

	Total FY06	Total FY07	Total FY08	1Q - FY09	2Q - FY09	3Q - FY09	4Q - FY09	Total FY09	Cumulative
AZNet Charges									
Seats / Per Occurrence	\$16,281,329	\$26,116,216	\$26,755,717	\$6,755,708	\$6,650,703	N/A	N/A	\$13,406,411	\$82,559,673
MACs (non-Allowance)	\$317,550	\$297,581	\$236,633	\$34,576	\$47,162	N/A	N/A	\$81,738	\$933,502
MAC Allowance Overage	\$7,777	\$0	\$0	\$0	\$0	N/A	N/A	\$0	\$7,777
One-Time Charges (MAC Related)	\$228,782	\$614,719	\$1,119,642	\$253,486	\$250,220	N/A	N/A	\$503,706	\$2,466,849
Agency-Specific Projects ⁽¹⁾	\$3,587,995	\$3,731,945	\$2,612,077	\$5,650	\$252,424	N/A	N/A	\$258,074	\$10,190,091
Adjustments ⁽²⁾	\$138,170	(\$96,707)	(\$49,409)	\$418	(\$18,759)	N/A	N/A	(\$18,341)	(\$26,287)
2% Early Pay	(\$90,339)	(\$344,355)	(\$325,596)	(\$68,099)	(\$81,480)	N/A	N/A	(\$149,579)	(\$909,869)
SLA Credits	\$0	(\$10,523)	(\$77,715)	(\$5,300)	(\$700)	N/A	N/A	(\$6,000)	(\$94,238)
AZNet Subtotal	\$20,471,263	\$30,308,875	\$30,271,350	\$6,976,438	\$7,099,570	N/A	N/A	\$14,076,008	\$95,127,496
Carrier Charges⁽³⁾									
Long Distance	\$922,658	\$1,187,336	\$992,474	\$239,059	\$243,568	N/A	N/A	\$482,627	\$3,585,095
Direct Carrier	\$10,173,016 ⁽⁴⁾	\$12,828,246	\$13,771,007	\$3,478,888	\$3,417,967	N/A	N/A	\$6,896,855	\$43,669,124
Shared Carrier	⁽⁴⁾	\$1,370,541	\$1,564,702	\$375,457	\$426,631	N/A	N/A	\$802,088	\$3,737,331
Adjustments	⁽⁴⁾	(\$5,075)	\$6,937	(\$2,112)	(\$24,885)	N/A	N/A	(\$26,997)	(\$25,135)
Carrier Subtotal	\$11,095,674	\$15,381,048	\$16,335,119	\$4,091,292	\$4,063,281	N/A	N/A	\$8,154,573	\$50,966,414
State Charges									
TPO & Other Retained Charges	\$2,065,696	\$3,070,271	\$3,493,845	\$878,481	\$867,087	N/A	N/A	\$1,745,568	\$10,375,380
State Operator	\$71,259	\$46,150	\$29,181	\$6,936	\$5,378	N/A	N/A	\$12,314	\$158,904
State Subtotal	\$2,136,955	\$3,116,422	\$3,523,026	\$885,417	\$872,465	N/A	N/A	\$1,757,882	\$10,534,285
Total	\$33,703,892	\$48,806,345	\$50,129,495	\$11,953,147	\$12,035,316	N/A	N/A	\$23,988,463	\$156,628,195
Other									
IIC Charges ⁽⁵⁾	\$633,906	\$3,421,709	\$4,908,602	\$1,642,722	\$1,617,426	N/A	N/A	\$3,260,148	\$12,224,365

⁽¹⁾ Amounts shown are for invoiced projects but actual completion of project could have occurred in previous quarter(s). Therefore, these amounts do not necessarily correspond to details shown in Capital Investment tables under section 3.1.4 of this report.

⁽²⁾ AZNet Adjustments includes AZNet Credits and Debits, Transitional Pricing (FY 2006 only), and Shared Communications (FY 2006 only).

⁽³⁾ Represents carrier charges re-billed by Accenture. These are amounts owed by agencies and paid by Accenture with no mark-up.

⁽⁴⁾ For FY 2006, Direct Carrier, Shared Carrier and Carrier Adjustments were all reported as one number called Fixed Carrier.

⁽⁵⁾ Shows the Infrastructure Investment Charge (IIC) that is already a part of the total above and collected in the seat charges listed earlier in the table. The IIC revenues are used to fund infrastructure investment projects. FY 2006 amount was retained by the contractor. FY 2007 amount was deposited in a State escrow private bank account. FY 2008 amount is deposited in a separate account established in the TPO operating fund pursuant to 2007 legislation. See sections 3.1.1, 3.1.2, and 3.1.3 of this report for actual project expenditure detail that is not shown in this report.

3.3 Operational Metrics

The table below provides a summary of key AZNet Operational Support metrics, including: Level 1 Help Desk Calls, Orders, Network Availability, Trouble Tickets, and Service Level Credits.

Table 4: Summary of AZNet Operational Metrics (unaudited)

	2Q - FY08	3Q - FY08	4Q - FY08	1Q - FY09	2Q - FY09
Support Desk					
Calls Offered	2,293	1,809	2,378	2,440	1,766
Calls Abandoned/Terminated	178	146	274	313	114
Calls Answered	2,115	1,663	2,104	2,127	1,652
Avg. Time to Answer	16.66 sec	16 sec	22 sec	16 sec	7.67 sec
Orders*					
Number of Work Orders	4,525	4,565	4,393	4,304	3,920
Network Availability					
Percent Available	99.73%	98.40%	99.57%	99.60%	98.73%
Trouble Tickets*					
Tickets Initiated	2,185	1,861	1,782	4,668	1,867
Mean Time to Repair (Hours)					
Severity 1	2.52	1.72	1.34	1.74	2.3
Severity 2	2.38	2.70	2.67	2.31	3.39
SLA 1 & 2 Missed	0	0	0	0	0
Severity 3 (Response)					
Missed Tickets	**	23	21	44	1
Service Level Credits					
Dollars Paid the State	\$0	\$0	\$2,100	\$5,300	\$700

* Includes both phone and e-mail requests.

** SLA not reported, issue resolved through settlement agreement.

3.4 Resources

Below is a summary of the AZNet program full-time contractor employee headcount.

Table 5: Summary of AZNet Full-Time Employees

AZNet Employees, by Team	2Q - FY08		3Q - FY08		4Q - FY08		1Q - FY09		2Q - FY09	
	On-Site	Off-Site	On-Site	Off-Site	On-Site	Off-Site	On-Site	Off-Site	On-Site	Off-Site
BackOffice (Billing & Asset Mgt)	14	2	13	2	12	2.25	10	2	10	2
Projects	7.75	0.75	6.75	0.75	5.75	0.75	8.25	0.5	7.5	1.25
Engineering	21.25	8	23.75	8.5	25.75	7.5	19.5	10.5	18.5	8.25
Operations	41	11.25	48	11.75	48	13.25	49	16.5	48	16
Program Management	6	1.5	6	1.5	5	0.75	3.75	0.75	4.75	0.75
Sub-Total	90	23.5	97.5	24.5	96.5	24.5	90.5	30.25	88.75	28.25
Total	113.5		122		121		120.75		117	

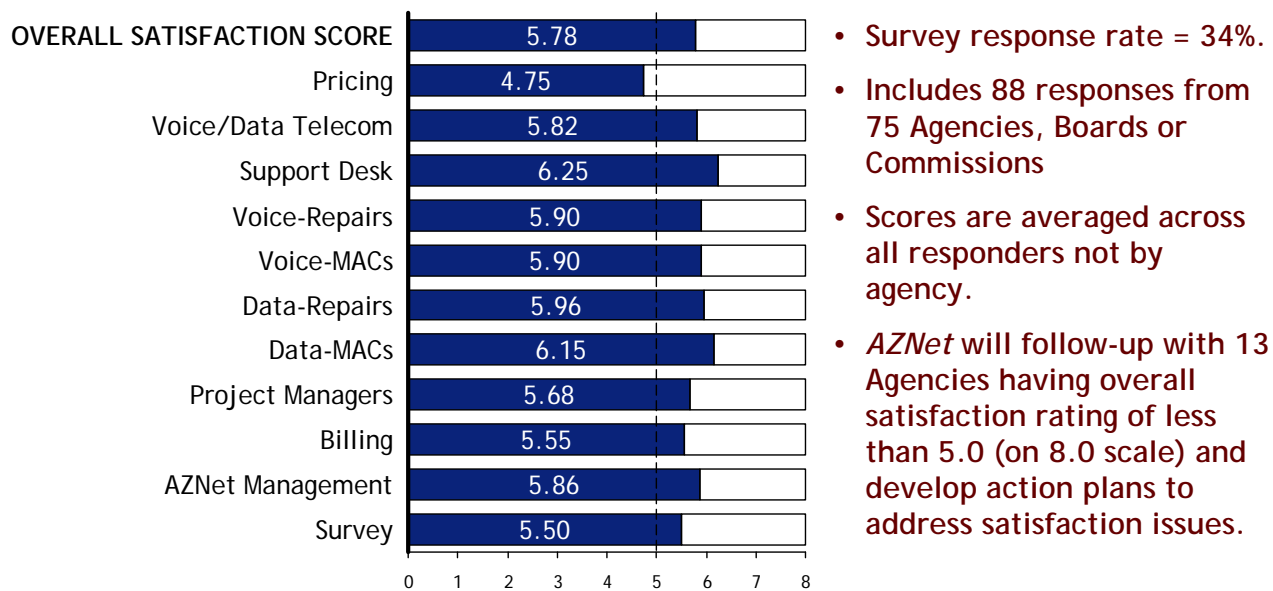
3.5 Customer Satisfaction

In August 2008, AZNet conducted a revised Annual AZNet Management Satisfaction Survey. This survey is conducted on an annual basis and was revised this year to incorporate feedback from respondents. Accenture reports that this year's survey realized a 34 percent response rate and gleaned an overall satisfaction rating of 5.78 on a scale of 1 to 8.

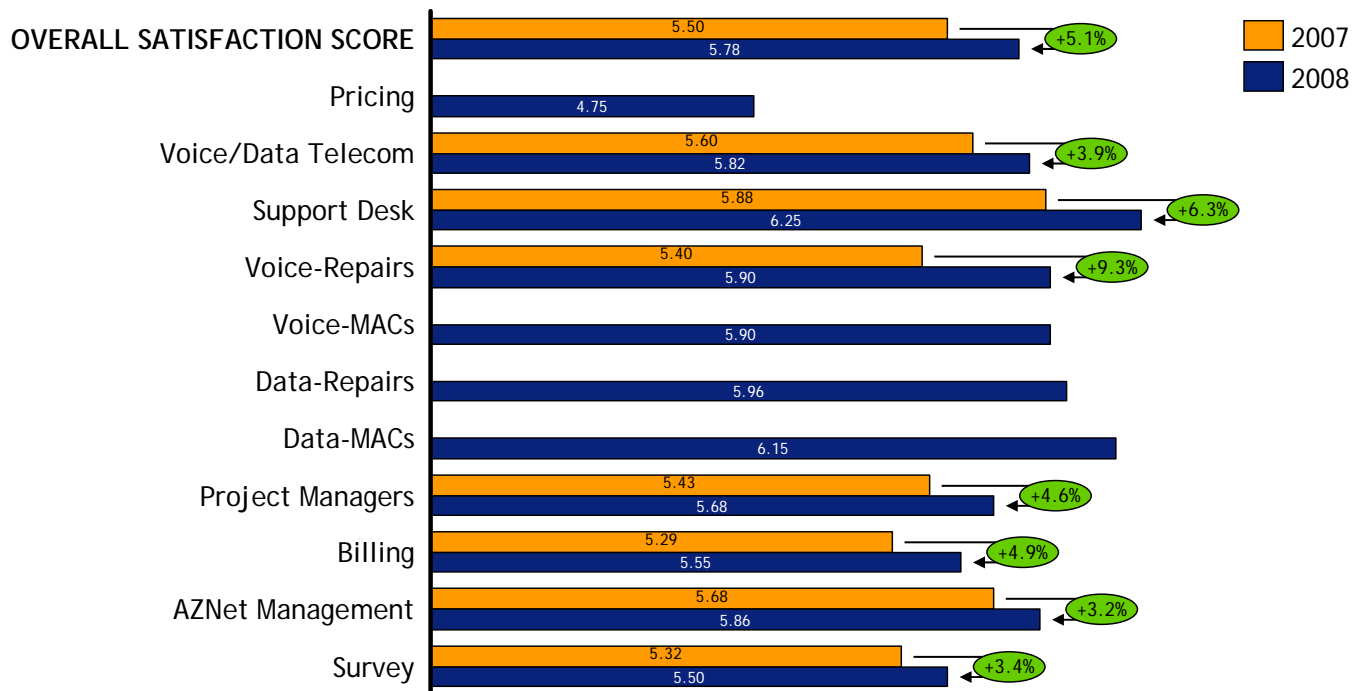
Information regarding the survey results is provided below. The information includes, when applicable, a comparison between each of the FY 2008 scores to the FY 2007 scores, including the percent change of the scores.

AZNet operations staff plan to follow-up with agencies with an overall satisfaction rating of five or below (based on the scale of one through eight), and will develop an action plan to address satisfaction issues. No follow-up action was initiated during the second quarter of FY 2009.

August 2008 Survey Results



Survey Results - 2008 versus 2007



In addition, on a regular basis, “voice of the customer” surveys are conducted by the State’s Level One Help Desk to track the satisfaction rating of State personnel requesting a service change or repair via the Remedy ticket system. Below is a summary of results from the individual Remedy ticket Survey.

Table 6: Summary of *AZNet* Operations Customer Satisfaction

	2Q - FY08	3Q - FY08	4Q - FY08	1Q - FY09	2Q - FY09
Customer Satisfaction					
Responses	173*	105*	52	69	48
Satisfaction Score	6.54	6.81	7.11	6.83	6.97

Note: Scores based on an 8-point scale (8.0 equaling highest satisfaction score). Response is number of the respondents who may or may not provide a score for every question on the survey.

* Amounts corrected from previous quarterly reports, which were slightly over or under stated.

4.0 Appendix

4.1 Acronyms and Glossary

1. ACCU-RING: an AT&T service that establishes connections on a dual fiber ring network between AT&T Points of Presence (POPs), State premises and local access providers, employing a dual-fiber self-healing ring with a primary path and a protected path. ACCU-RING was used by the Department of Transportation, the Department of Economic Security, and the Department of Administration until recent transfer of those services to MAGNET.
2. AOP - Annual Operating Plan: outlines prior, present, and future areas of focus and investment for the program.
3. BPX: an equipment switch manufactured by Cisco.
4. DMT - Demand Management Team: support for projects valued at more than \$25,000 or involving complex engineering. The term is used to refer to infrastructure investment projects that are managed and tracked through an on-line data base system called ITG.
5. Early Pay Discount: a 2 percent credit given by the Contractor on its service charges of a monthly invoice if full payment is received within 15 calendar days of the invoice date. For example, the credit applies to seat charges but does not apply to carrier charges.
6. EOL - End-of-Life: used to refer to equipment that is no longer manufacture supported or maintained.
7. HVAC - Heating, Ventilating, and Air-Conditioning: high voltage power supply motor systems.
8. IIC – Infrastructure Investment Charge: a rate charge that varies by seat type. The charges began in April 2006 under the contract for infrastructure investment projects. They are collected as part of, but are separate from, the seat price.
9. IPT – Internet Protocol Telephony: communications services—voice, facsimile, and/or voice-messaging applications—that are transported via the Internet, rather than the public switched telephone network (PSTN). The basic steps involved in originating an Internet telephone call are conversion of the analog voice signal to digital format and compression/translation of the signal into Internet protocol (IP) packets for transmission over the Internet; the process is reversed at the receiving end.
10. ITG – Information Technology Governance: an on-line data system for managing and tracking infrastructure investment projects, contract deliverables, and action items.
11. IVR – Interactive Voice Response: a voice computer that automates the retrieval and processing of information by phone.
12. LAN – Local Area Network: a communications network connecting personal computers, workstations, printers, file servers, and other devices inside a building or campus.
13. MAC – Moves, Adds, and Changes: a service consisting of changes to voice and data configurations. There are two types of MACs – Soft MAC and Hard MAC. Soft MAC is work performed remotely usually through software changes, not requiring a

site visit by the technician. Hard MAC is service or equipment change requiring an on-site visit by the technician. Each order placed involving more than 10 Hard or Soft MACs activities are billed at the AZNet MAC rates. Charges will appear on the agency's invoice following the month the order is completed and closed. If an order involves 10 or fewer Hard or Soft MACs activities, the MAC allocation may apply. (Effective October 1, 2007, the number of activities per order is changed from 10 to 25 pursuant to an agreed upon contract amendment.)

14. MAC Allocation: a specified number of Hard and Soft MACs are included in the seat price. There are two choices of allocation available. Each state agency decides which option is to be applied.
- 1 Soft MAC and 0.20 Hard MAC per agency seat per year.
 - 0.15 Soft MAC and 0.35 Hard MAC per agency seat per year.

The MAC allocation works as follows: *AZNet Services*:

- Each order placed involving 10 or fewer Hard or Soft MACs activities goes against the agency's MAC allocation. (Please note as mentioned above in item 12, the definition here changes. Effective October 1, 2007, the number of activities per order is changed from 10 to 25 pursuant to an agreed upon contract amendment.)
- On a quarterly basis, each agency's Soft and Hard MAC usage is compared to the agency's allocation to determine if the allocation has been exceeded or underutilized. If the agency's allocation is underutilized, the unused MAC allocation is rolled into a statewide pool which is used to reduce MAC overages for agencies exceeding their allocation. The allocation in the statewide pool is divided among agencies exceeding their allocation on a percentage basis to reduce the agency's overage. Any remaining unused MAC allocations in the statewide pool are carried over in the pool for one more quarter. If those unused allocations are not used in the subsequent quarter, they are removed from the statewide pool. If the unused allocation is depleted during the quarterly process, then any remaining agency MAC overages will be charged per the AZNet MAC rates. MAC overage charges will appear on the monthly AZNet bill following the quarter end.

15. MAGNET – Multi Agency Network: a Network that was updated through the AZNet contract to connect all Tier 1 sites and all Phoenix Capitol Mall locations to support future Statewide Disaster Recovery Initiatives and to provide security for agency traffic. Both MAGNET 2.1 and MAGNET 2.2 build upon MAGNET 2, which replaced the State's existing end-of-life backbone network.
16. MGX: an equipment switch manufactured by Cisco.
17. MPLS – MultiProtocol Label Switching: a family of internet engineering standards in which Internet Protocol networks can make faster call forwarding switching decisions.
18. Service Level Credit: credits that are applied to an agency or customer for which the Service Level Agreement performance was not met by the OFFEROR.

19. Seat: a term used in the contract referring to bundled phone services provided to one employee or other single entity. There are different types of seats depending on the phone features included. Two examples are basic seats and call center seats.
20. Site Chronic Problem: three or more related Severity Level 1 or Severity Level 2 service outages reported within one month for the same Service. A problem is considered chronic upon the third service outage.
21. SL1 – Severity Level 1 (*Critical*): the highest level of severity indicating the most critical of problems. A problem is classified as a Severity Level 1 when either an entire agency's ability to perform mission critical business functions, as defined by the agency's Business Continuity/Disaster Recovery (BCDR) Plan, is in jeopardy or unavailable, or when the problem directly impacts the public's ability to receive critical state agency services.
22. SL2 – Severity Level 2 (*MAJOR*): a high level of severity indicating serious problems and/or degrading conditions without immediate impact. A problem is classified as a Severity Level 2 when an agency's ability to perform mission critical function(s) is in jeopardy or unavailable but a workaround is or can be established within a reasonable time.
23. SL3 – Severity Level 3 (*MINOR*): a medium level of severity indicating a problem exists that impacts the business but circumvention allows agency functions to continue indefinitely. A problem is classified as a Severity Level 3 when an agency's ability to perform job function(s) may be impacted or inconvenienced but agency business operations can continue to function.
24. SLA – Service Level Agreement: refers to all Critical, Standard and System Service Levels under the contract.
25. SSL/VPN – Secure Socket Layer/Virtual Private Network: devices that implement an Intrusion Prevention System to protect security and privacy. The SSL technology uses public/private encryptions keys and a firewall.
26. Standard Service Level: any services that the State deems to be of a non critical nature and does not affect service at the Enterprise level.
27. System Service Level: performance at a network level that affects service delivery system wide. Normally measured on a rolling quarterly basis, these Service Level Agreements are designed to give a broader view of the OFFERORS performance.
28. TDM – Time Division Multiplex: a technique for transmitting a number of separate data, voice and /or video signals simultaneously over one communication medium by interleaving a piece of each signal one after another.
29. Tier 1: the equipment/software located at primary core infrastructure facilities (sites). Core infrastructure facilities typically provide: voice to a campus infrastructure, and/or data center services, and/or call center services.

Tier 1 sites include:

- ADOA, 1510 W Adams, Phoenix
- ADOA, 402 W Congress, Tucson
- AHCCCS, 801 W Jefferson, Phoenix,
- DES, 1720 W Madison, Phoenix
- ADOT, 206 S 17th Ave., Phoenix

- ADOT, 2302 W. Durango, Phoenix
- DPS, 2102 W Encanto Blvd., Phoenix

30. Tier 2: either the intermediate equipment/software between Tier 1 and Tier 3 or Tier 4 equipment/software or the equipment/software located in an agency's primary facility or branch facility that provides voice, data and/or call center services.

Facilities that have Tier 2 equipment/software include, but are not limited to:

- AHCCCS, Glendale BCP site
- DOC, prisons with more than 50 employees
- ADOT, MVD locations with more than 50 employees
- DES, 225 E Valencia, Tucson
- Primary or branch agency facilities with 50 or more employees

31. Tier 3: either the intermediate equipment/software between Tier 1 or Tier 2 and Tier 4 equipment/software or the equipment/software located in a branch, or remote facility with fewer than 50 employees that provides voice and data and services.

32. Tier 4: the end user appliance (i.e. telephone or Soft PC) or a LAN switch if the OFFEROR does not provide the end user appliance.

33. Trouble Ticket or "TT": the record opened, either by OFFEROR receiving a call from the STATE (Level 1) Help Desk or OFFEROR proactively detecting the Trouble and reporting it to the STATE Help Desk.

34. VAT – Voice Applications Transformation: a project that began in FY 2008 and is estimated to be completed in FY 2010 for replacing two of the State's key end-of-life call center voice processing systems, Octel Voice Mail and Nortel Networks Interactive Voice Response systems. This project is an enterprise solution for serving call center needs of state agencies across the State.

35. VPNs – Virtual Private Networks: an extension beyond the Agencies' demarcation to external users, networks, or network resources. A VPN is used to secure network traffic to ensure the traffic is authorized to be upon the agency virtual network, is not altered, and is not privy to encapsulating transports. VPN services may be the result of many different technologies, transports, protocols, devices and encryption algorithms.

36. WAN – Wide Area Network: a public voice or data network that extends beyond the metropolitan area or outside a single entity's area.

37. Zones A, B, C, and D divide the State into regions. Zone A means sites within 5 miles of the Capitol in Phoenix (the "Central Site" in Phoenix), or within 5 miles of 400 W. Congress (the "Central Site") in Tucson, or within 5 miles of a Central Site in Yuma and Flagstaff that was selected by ADOA General Services. Zone B means within 60 miles of the Central Sites of Phoenix, Tucson, Yuma, or Flagstaff (called Zone A cities). Zone C means within 100 miles of the Central Site of a Zone A city, and Zone D means outside 100 miles of the Central Site of a Zone A city. The Central Sites are for Phoenix, the Capitol, 1700 W WASHINGTON ST, PHOENIX, AZ 85007; for Tucson, 400 W CONGRESS ST, TUCSON, AZ 85701; for Flagstaff,

1100 W KAIBAB LN, FLAGSTAFF, AZ 86001; and for Yuma, 7125 E JUAN SANCHEZ BLVD, SAN LUIS, AZ 85349 (ASPC-Yuma Prison).